

A Strategy for “New Economy” Growth in Chicagoland





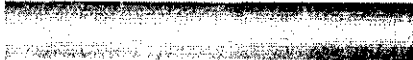







Spring, 2001
Handout Overview

Chicago's Gross Metropolitan Product Makes It One Of The World's Top 20 Economies

1999 \$ Billions

United States		9,260
Japan	4,370	
Germany	2,110	
United Kingdom	1,460	
France	1,430	
Italy	1,170	
China	1,000	
Canada	640	
Spain	600	
Brazil	530	
Mexico	480	
India	430	
South Korea	420	
Netherlands	400	
Australia	400	
New York, NY	390	
Los Angeles-Long Beach, CA	330	
Argentina	310	
Chicago, IL	300	
Taiwan	280	

Chicago Has The 3rd-largest Economy In The U.S.

Gross product rankings – 1999 GMP* \$ Billions		GMP capita \$	GMP per capita adjusted for cost-of-living
New York		44,800	25,000
Los Angeles		35,800	26,300
Chicago		37,800	29,300
Boston		41,700	26,700
Washington D.C.		41,000	29,500
Silicon Valley**		52,200	32,100
Philadelphia		33,500	26,400
Houston		38,400	37,300
Atlanta		37,800	34,100
Dallas		43,500	40,700

Chicago's Diverse Economy

Industry diversity
Number of industries* at greater
than 1% of employment

Chicago

33

Los Angeles

29

Philadelphia

27

New York

24

**Top 4 and Top 10
industry* concentration**
Percent of employment

27

43

25

41

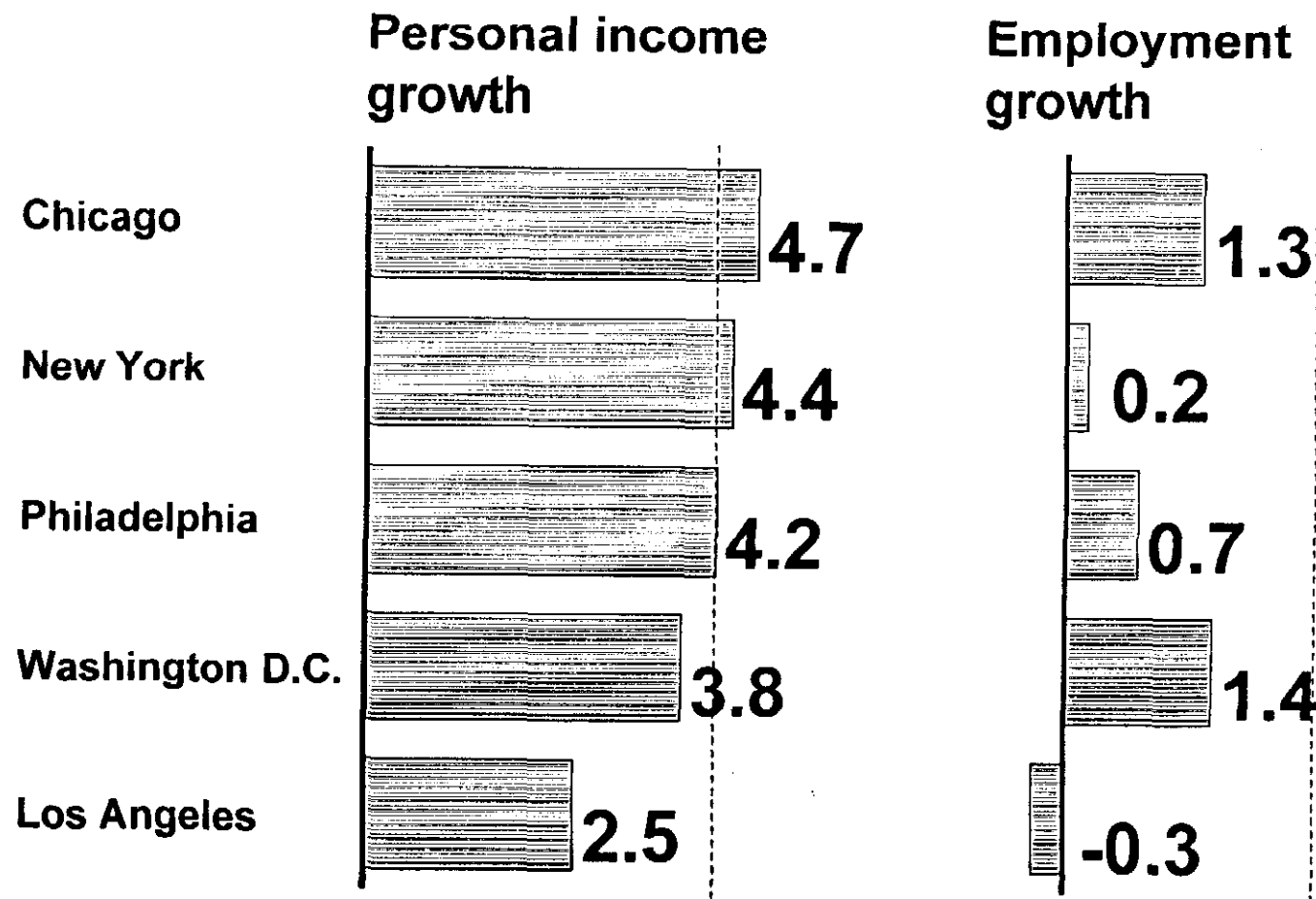
28

46

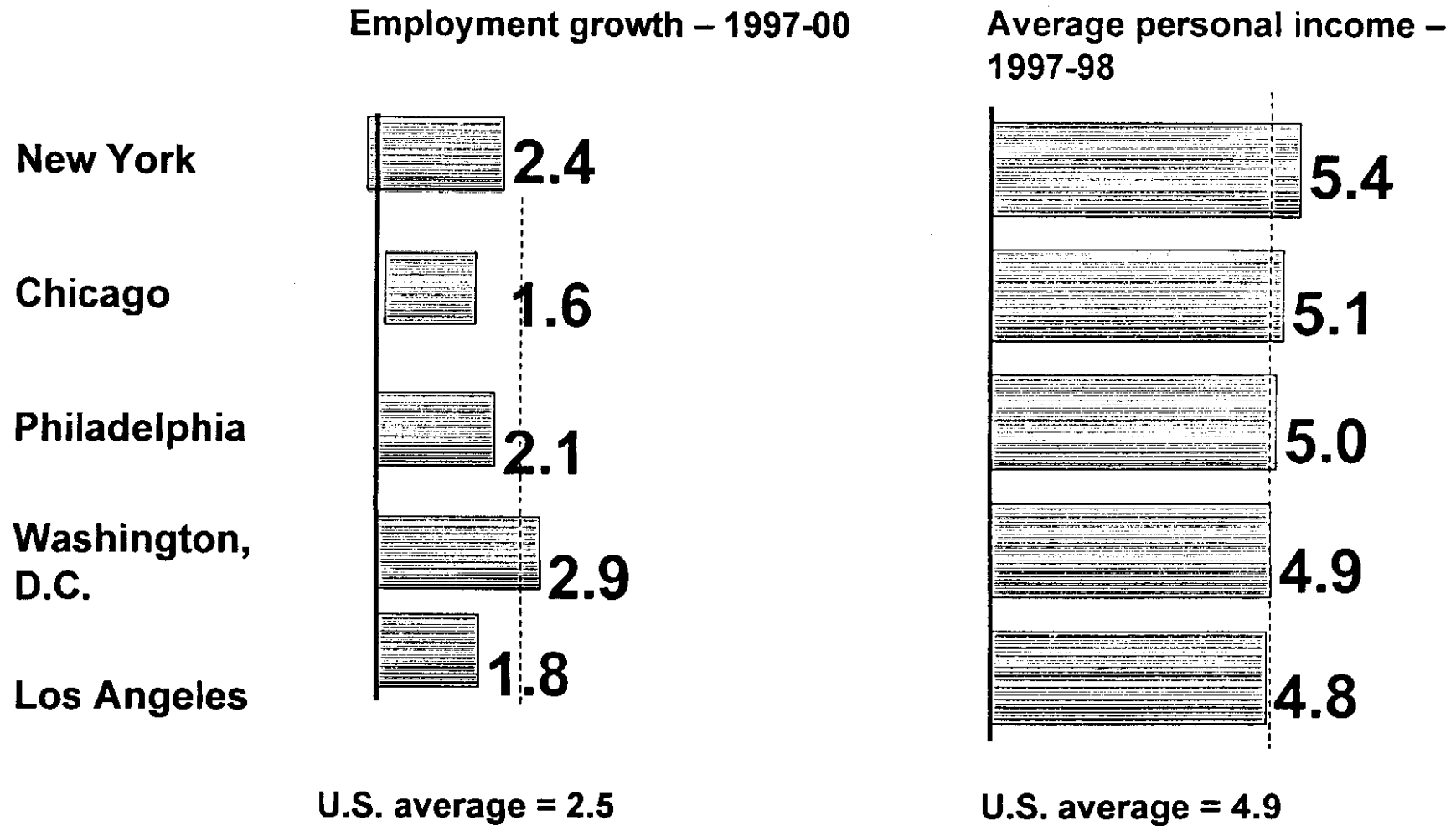
27

45

Personal Income And Employment Growth Have Been Strong Over The Last Decade



Job And Income Growth In Recent Years



EFFORT FOCUSED ON 2 PRIMARY GOALS

- **Provide a robust portfolio of growth options to ensure Chicagoland's future**
 - **Job growth**
 - **Income growth**
 - **Economic diversification**
- **Establish Chicagoland's position and reputation as a leading New Economy city**

2 MAJOR STRATEGIC INITIATIVES CRITICAL TO MEETING THESE GOALS

Priority action areas

Build a compelling start-up environment for New Economy companies

- Increased access to angel and seed capital
- Greater technology transfer and commercialization from R&D centers
- A more connected, vibrant entrepreneurial community

Create world-class leadership in priority New Economy sectors

- Biomedical
 - Biotech
 - Medical devices
 - Diagnostics
- Wireless software
- Software development
- Emerging technologies (e.g., Nanotechnology)

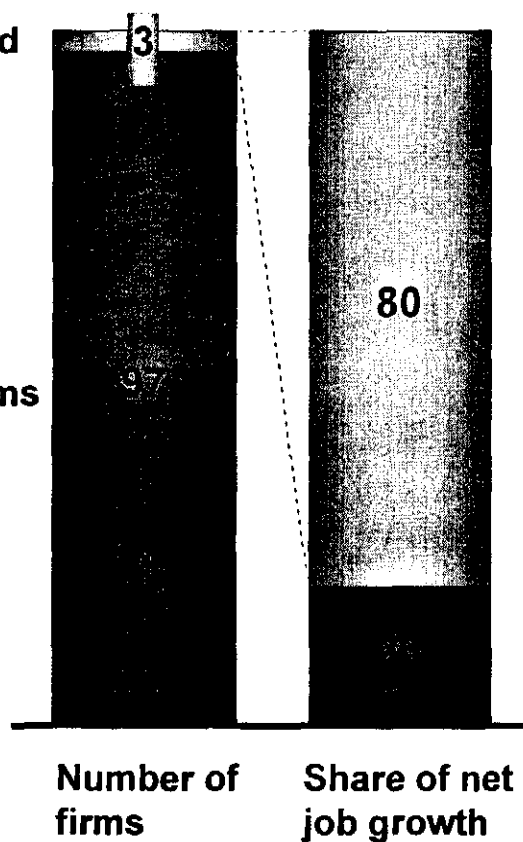
JOB CREATION DOMINATED BY START-UPS AND GAZELLES

Sources of net employment growth,
1992-1996

Percent

Start-ups,
gazelles, and
traditional
gazelles*

All other firms



Businesses created in 1999

Number of businesses per 1,000 capita

Largest
cities

Los Angeles

New York

Washington, D.C.

Philadelphia

Chicago

9.5

6.7

4.3

4.0

3.6

New
economy
cities

Austin

San Diego

Silicon Valley

N.C. Research Triangle

Phoenix

Boston

16.6

10.2

8.4

6.3

5.8

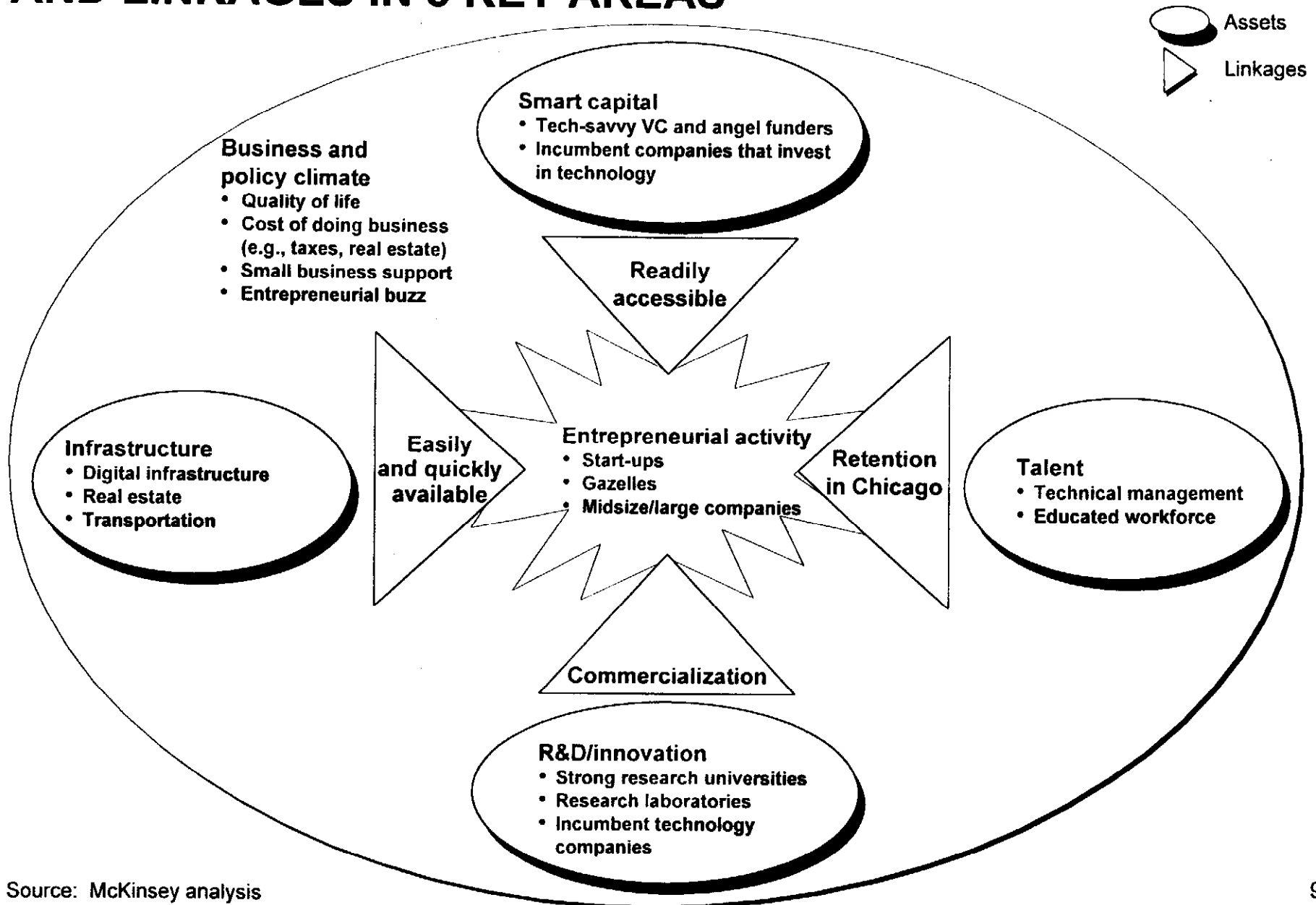
4.4

U.S. average = 4.9

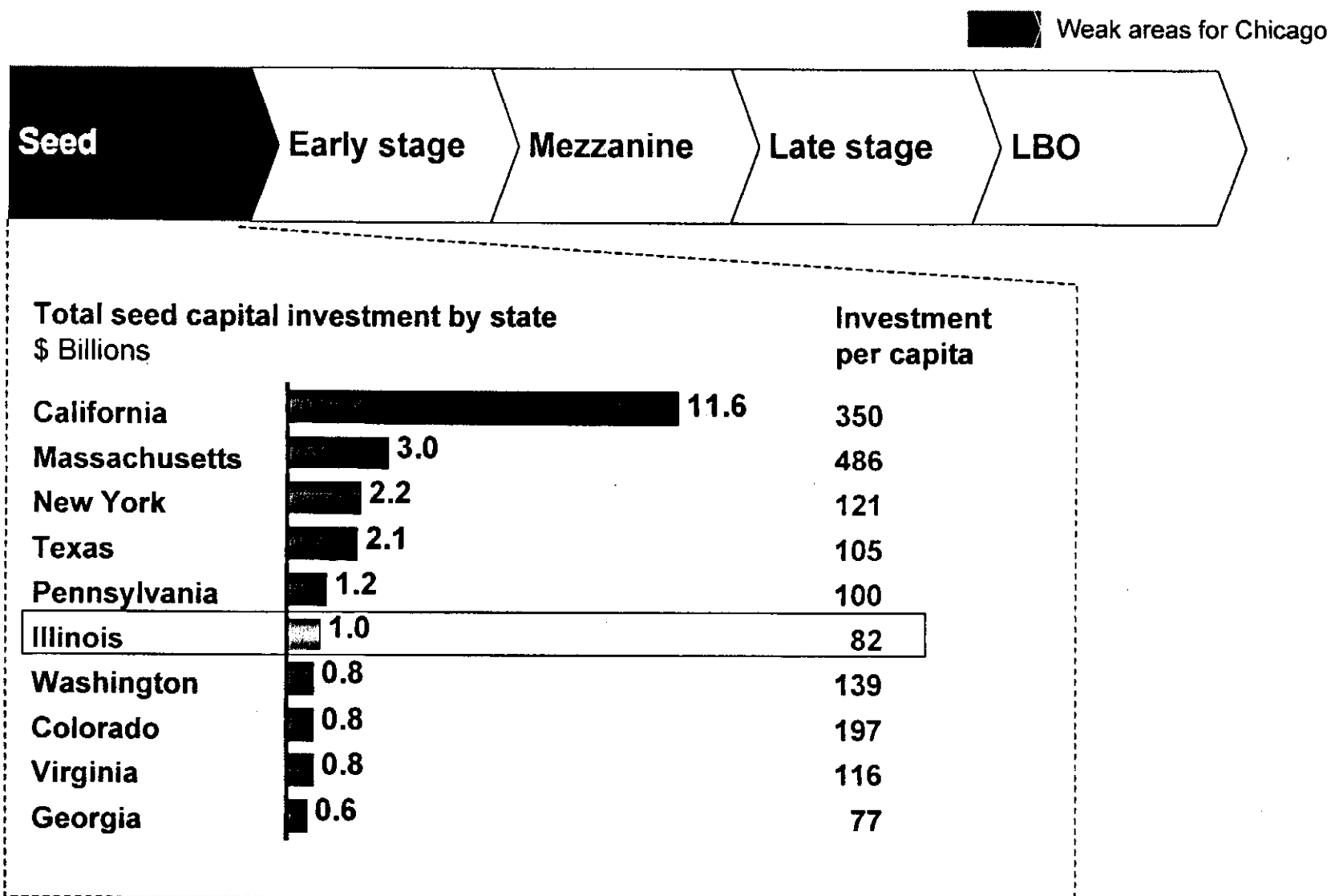
* Companies growing at over 20% annually for the period

Source: Cognetics

START-UP GROWTH DRIVEN BY ROBUST ASSETS AND LINKAGES IN 5 KEY AREAS



CHICAGO NEEDS TO CREATE CRITICAL MASS SEED CAPITAL FUNDS

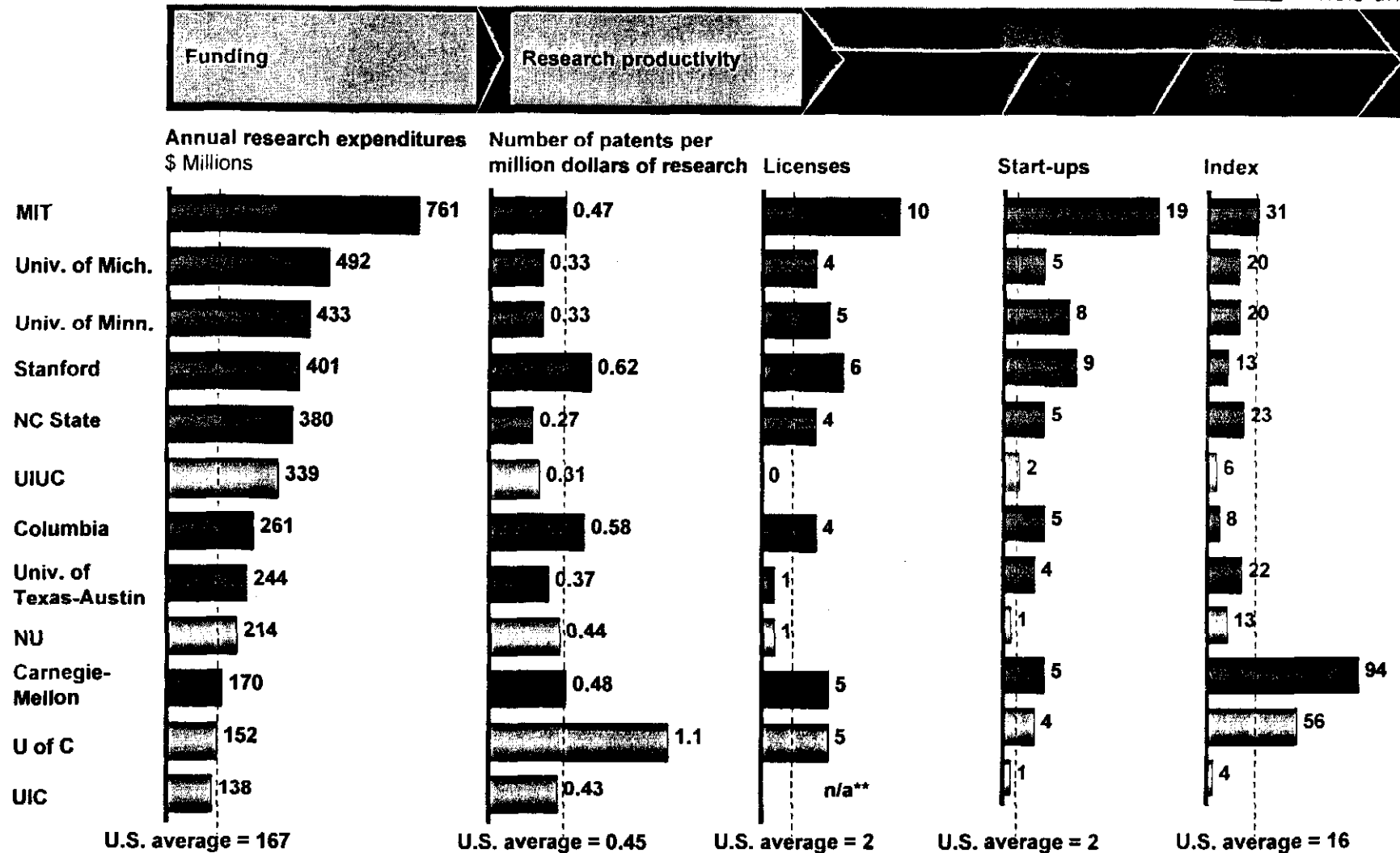


Source: Venture Economic Information Services; Census Bureau; team analysis

CHICAGO NEEDS TO IMPROVE PERFORMANCE ACROSS KEY TECHNOLOGY TRANSFER METRICS

R&D/innovation: Illinois university performance – 1998

□ Illinois universities



* Number of start-ups formed and licenses with equity for every 100 "straight" license deals; n/a = no response to survey

** University did not supply information

Source: Association of University Technology Managers, 1998

2 MAJOR STRATEGIC INITIATIVES CRITICAL TO MEETING THESE GOALS

Build a compelling start-up environment for New Economy companies

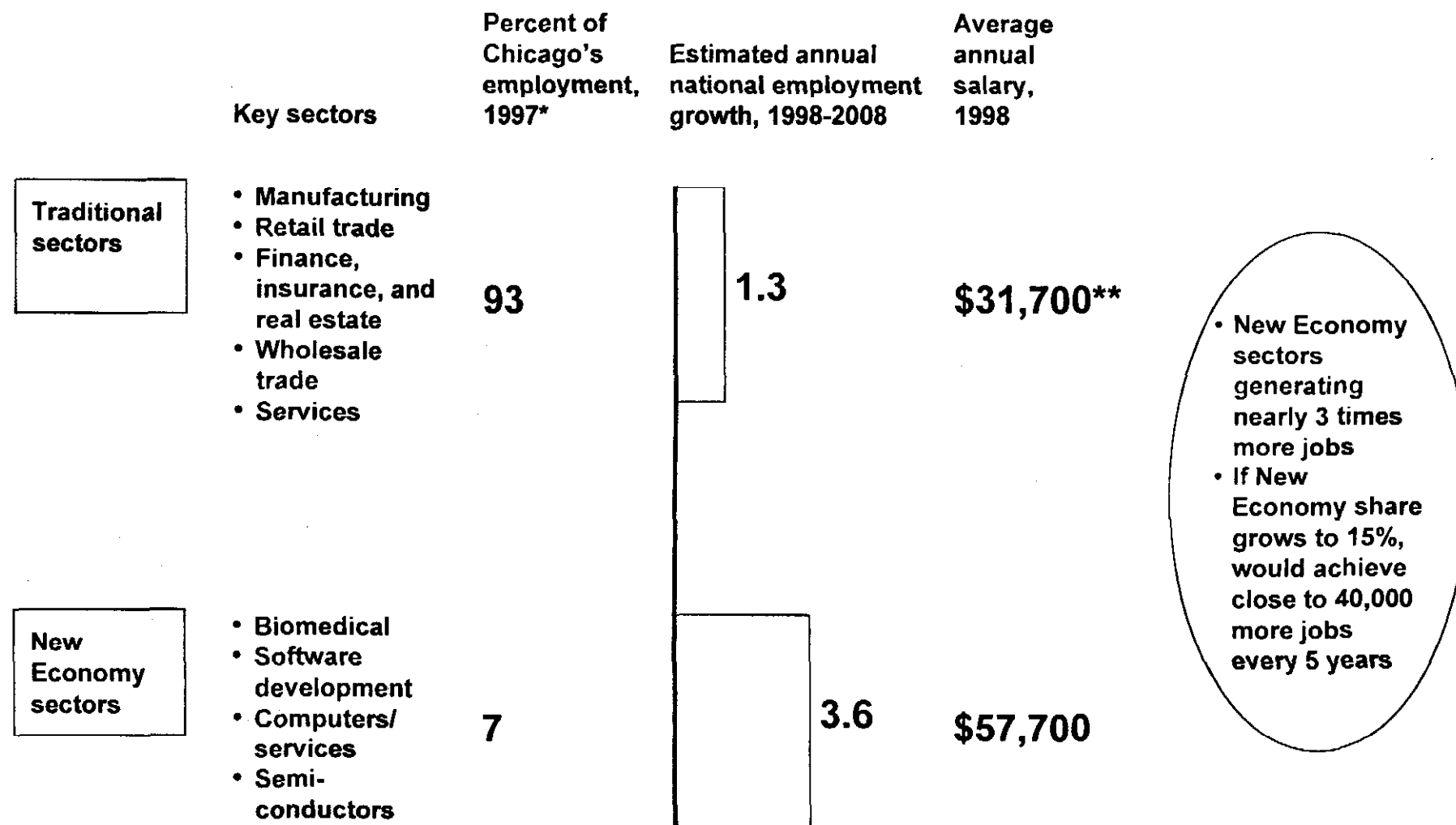
Priority action areas

- Increased access to angel and seed capital
- Greater technology transfer and commercialization from R&D centers
- A more connected, vibrant entrepreneurial community

Create world-class leadership in priority New Economy sectors

- Biomedical
 - Biotech
 - Medical devices
 - Diagnostics
- Wireless software
- Software development
- Nanotechnology

NEW ECONOMY KEY TO FUTURE JOB GROWTH

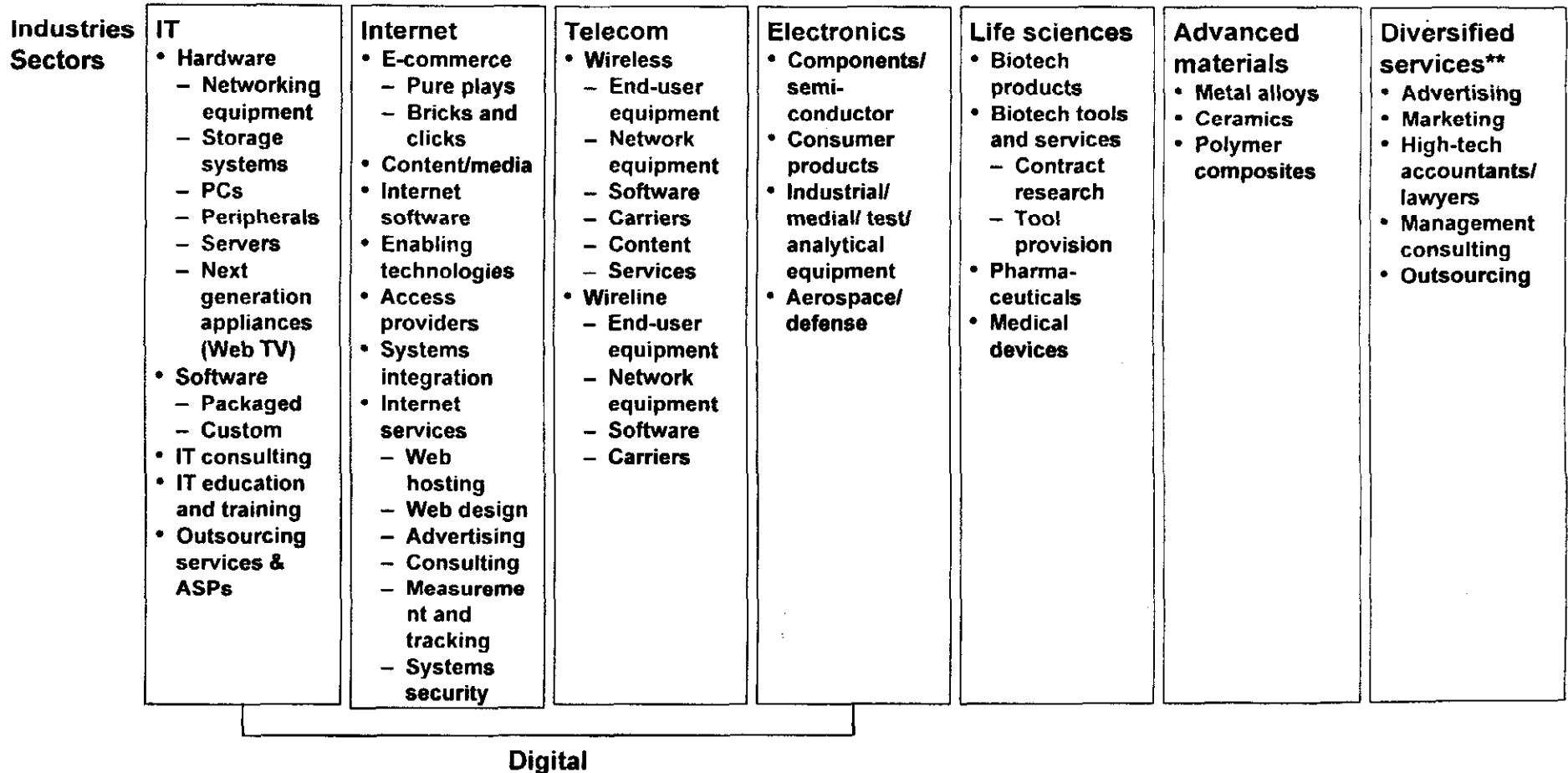


* Base of 3.65 million jobs in 1997, most recent year available

** Average private sector annual wages

Source: Bureau of Labor Statistics, County Business Patterns; AEA

THE NEW ECONOMY HAS A BROAD DEFINITION*

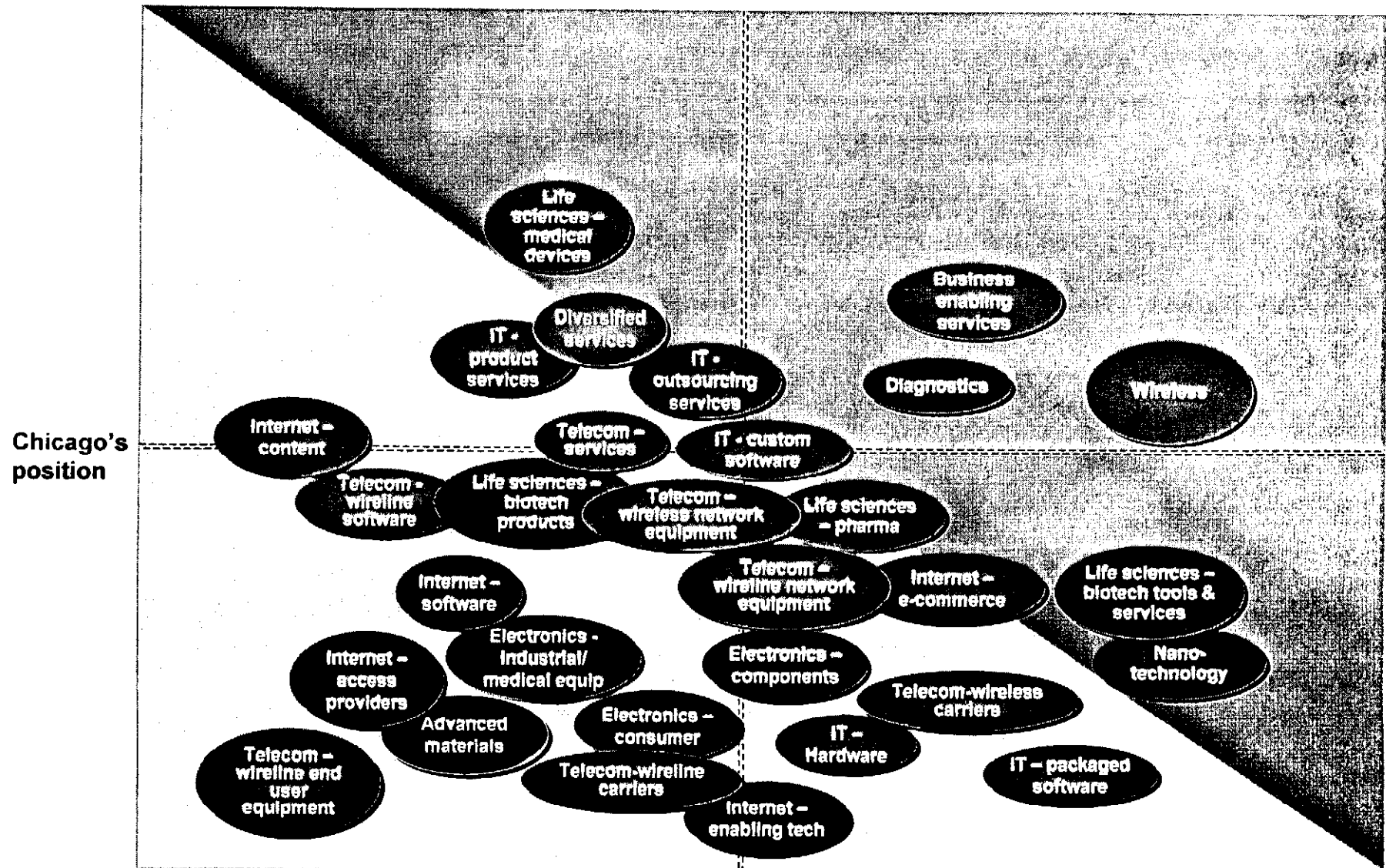


* New Economy industries are those that are formed by and staffed with skilled workers; industries with roots in knowledge, not in the industrial revolution; industries born of science and technology

** Not directly aligned with any New Economy industry and not exhaustive

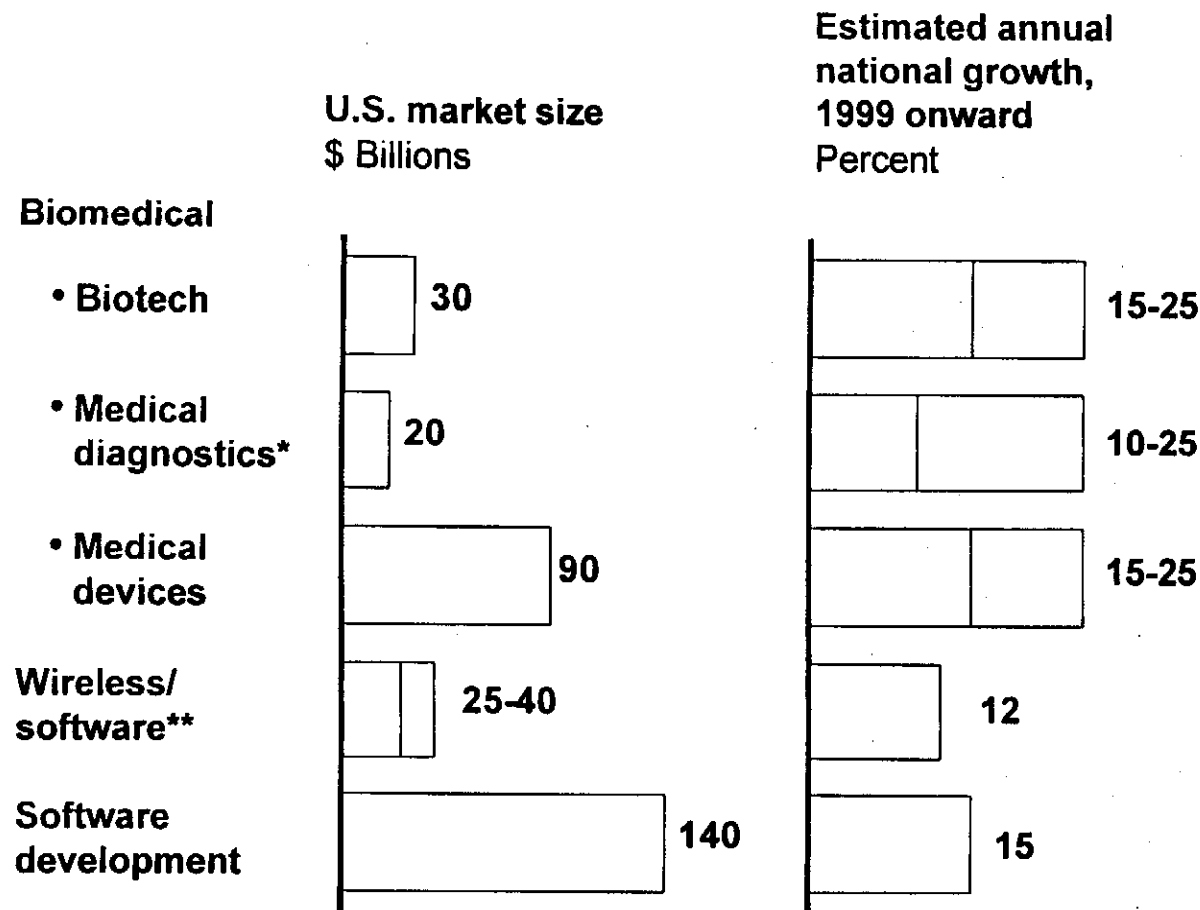
BROAD RANGE OF NEW ECONOMY OPPORTUNITIES WERE EVALUATED . . .

 Potentially attractive



Source: Team analysis; Hoover; Crain's Chicago Business; Forbes; interviews

3 NEW ECONOMY SECTORS OFFER CHICAGOLAND THE MOST ATTRACTIVE FUTURE GROWTH POTENTIAL



Priority sectors represent

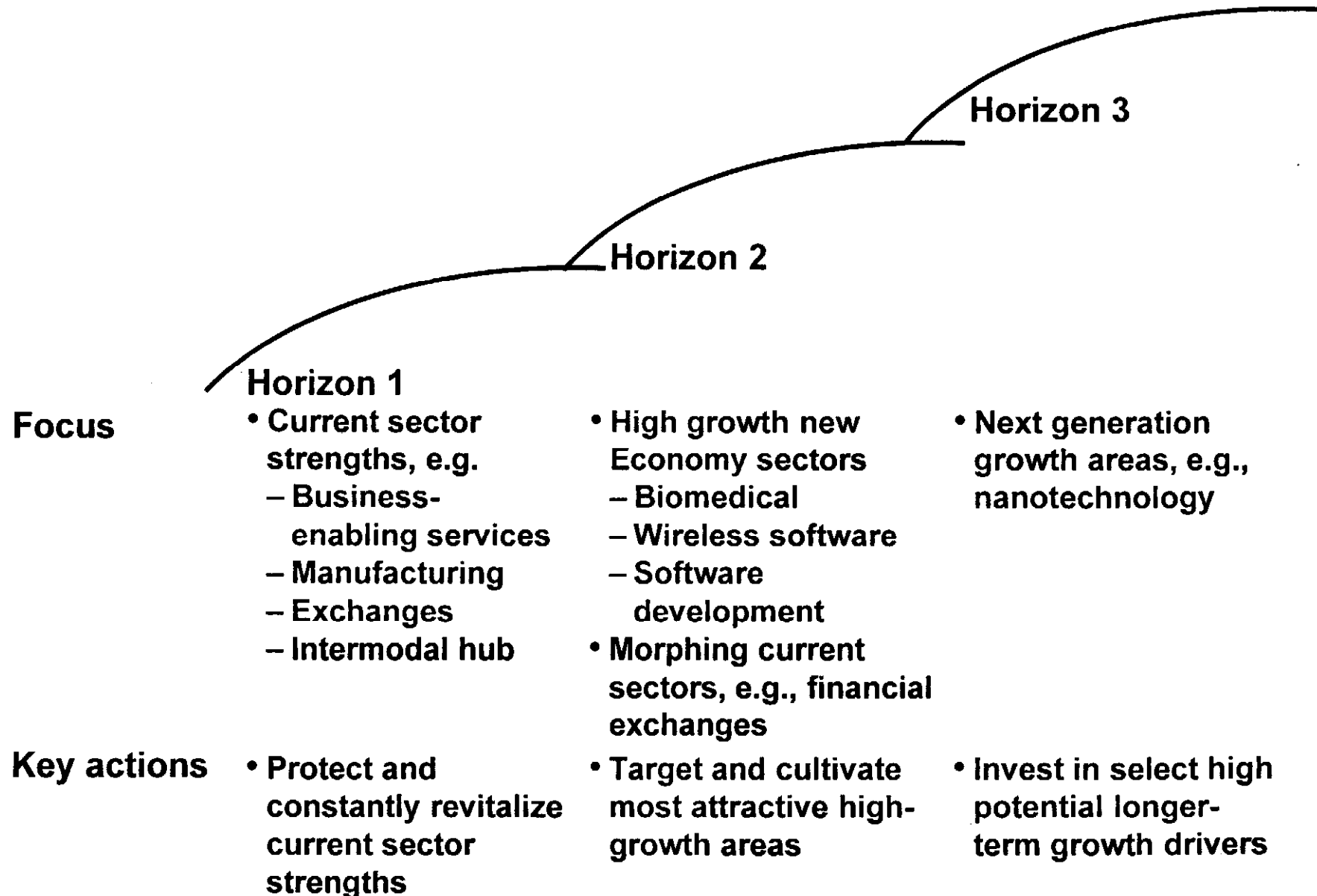
- \$300 billion U.S. market
- Approximately 15-25% annual growth
- Chicago has distinctive strengths in each sector, but targeted action required to achieve leadership growth levels

* Assumes high-growth segments, includes cardiovascular and imaging

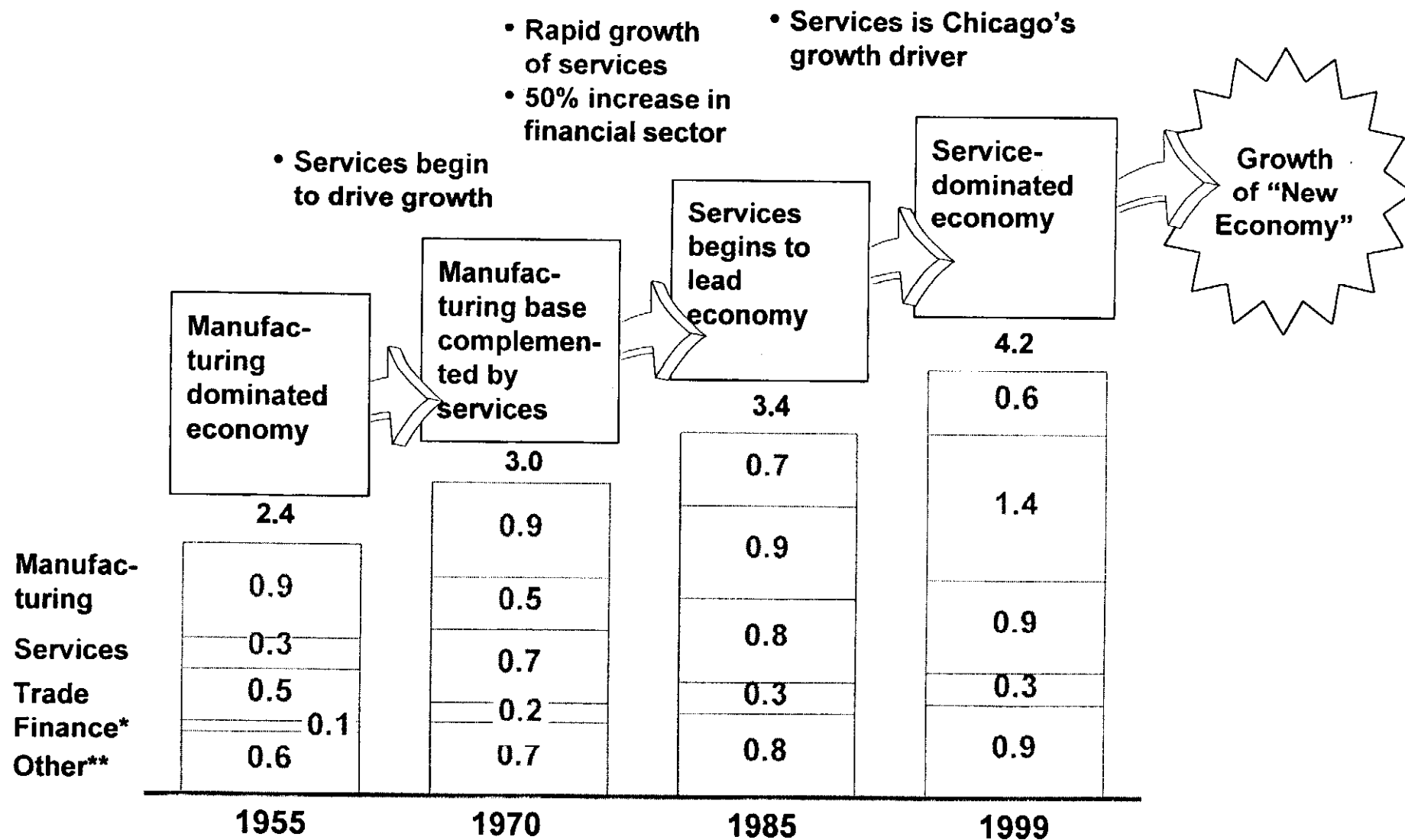
** End-user components

Source: Analyst reports; Decision Resources; literature reviews; team analysis

TOGETHER, THESE AREAS FORM A ROBUST PORTFOLIO TO DRIVE FUTURE GROWTH FOR CHICAGOLAND . . .



... AND WILL UNDERPIN CHICAGO'S CONTINUED ECONOMIC VITALITY

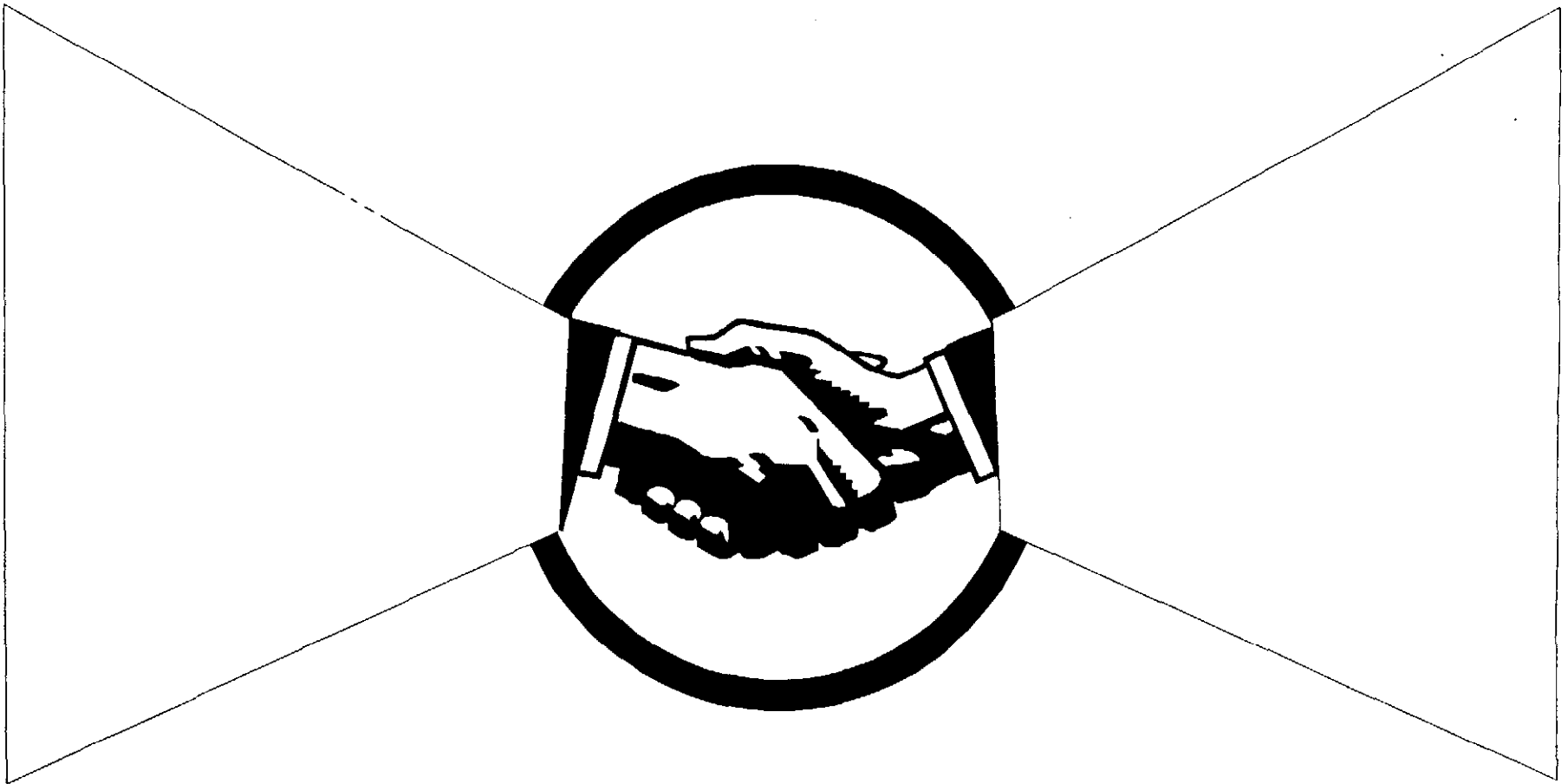


* Includes finance, insurance, and real estate

** Includes construction, mining, government

Source: Bureau of Labor Statistics; team analysis

PUBLIC-PRIVATE PARTNERSHIP ESSENTIAL TO IMPLEMENTATION SUCCESS



ROLE OF BUSINESS COMMUNITY

- **Support sector development priorities, e.g.,**
 - **Recruit pillar company support**
 - **Encourage start-ups**
 - **Lobby for increased R&D dollars**
- **Increase investment critical mass, e.g.,**
 - **Pension funds**
 - **Investment funds**
 - **Angel networks**
- **Provide connections, foster linkages, e.g.,**
 - **Among entrepreneurs**
 - **Between investors and entrepreneurs**
 - **Across universities**
 - **Between universities, companies, investors**